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SUBJECT: APEC OFFICIAL MICHALAK'S MEETINGS AT THE MINISTRY OF FOREIGN AFFAIRS AND CUSTOMS BUREAU

1. (SBU) Summary: On October 10 U.S. Senior Official for the Asia Pacific Economic Cooperation (APEC) Michael Michalak met separately with Ministry of Foreign Affairs (MOFA) Vice Minister Le Cong Phung and Vice General Director of the General Department of Customs (GDC) Vu Ngoc Anh to discuss bilateral issues, including World Trade Organization (WTO) negotiations, the upcoming export controls conference co-hosted by the United States and Vietnam, APEC 2005 agenda items, and the Government of Vietnam's (GVN) progress in planning for APEC 2006. End Summary.

MOFA: EXPORT CONTROLS

2. (SBU) Michalak began his meeting with Vice Minister Le Cong Phung by stating that Vietnam was a strong U.S. partner in export controls, and though there had been some difficulties in the conference organization, he looked forward to seeing the Vietnamese delegation in November and hoped they would deliver one of the keynote speeches. Phung said he welcomed the opportunity to deliver a keynote speech and acknowledged that he personally would have liked to have hosted the conference in Hanoi. He simply did not have enough time "to work the issue around" to the different ministries.

MOFA: APEC PLANNING: A LITTLE SLOW

3. (SBU) Michalak moved on to the larger question of APEC 2006, emphasizing what a great opportunity it was for Vietnam. "We have a good agenda for 2005," said Michalak. He expressed hope that Vietnam and the United States can build on this agenda and can focus in 2006 on continuing support for greater trade facilitation, free trade agreements (FTAs), small and medium enterprise (SME) investment, export controls, anti-moneylaundering (AML), anti-corruption efforts, and energy cooperation as well as progress on the Doha Development Agenda (DDA), all of which are issues of great interest to most all APEC members. Michalak mentioned he had just come from a meeting of the Asia Pacific Council (APC) of American Chambers of Commerce, held in Thailand last week; the APC expressed strong interest in working with their counterparts in Vietnam to make APEC private sector events a big success. He emphasized, again, the importance of knowing the limits of delegation size and the formal schedule and agenda as soon as possible.

4. (SBU) Phung replied he recognized that Vietnam is indeed "a little late" in its planning. He assured Michalak, however, that Vietnam attaches great importance to U.S. relations and cooperation on APEC and will work closely with us in the future on the agenda. "We know we are the ones who suffer from not hurrying," he added. The GVN is currently consulting with its leaders to finalize a list of themes. Phung welcomed any suggestions from the United States and said he fully expected a final schedule and agenda to be issued very soon. "Give us a little more time," he asked. The proposed agenda, he assured Michalak, included U.S. business priorities.

MOFA: DETAILED 2005 AGENDA QUESTIONS

5. (SBU) Michalak pressed Phung on the status of several items for the 2005 agenda, including signature on the International Atomic Energy Association (IAEA) additional protocol, comments on the MANPADS briefer, and feedback on the Radioactive Sources Initiative (RSI) now that the United States had replaced the word "agree" with "aim to" at Vietnam's request. Phung replied that the IAEA protocol was "not a problem" for Vietnam "because they are not a nuclear country," but that the GVN needed more time to discuss it. RSI, he said, is now acceptable.

MOFA: WTO

16. (SBU) When Phung raised the issue of an early conclusion to WTO negotiations, Michalak promised that the United States would do its best to conclude as soon as possible, but that Vietnam also needed to concentrate now on the Permanent Normalized Trade Relations (PNTR) vote that had to take place in the U.S. Congress after negotiations finish. He urged Vietnam to use the momentum of APEC, PNTR, WTO, and the President's visit next year to set a new framework in place to carry the bilateral relationship beyond 2006. Phung replied that he was looking forward to the results of the WTO talks, and while a number of issues remain for discussion, the negotiations needed efforts from both sides to reach a conclusion. Phung added that he plans to travel to Washington, D.C. soon to talk with his counterparts and see how much they can help him.

CUSTOMS: STRIKING THE RIGHT BALANCE IN TRADE

17. (SBU) In his meeting with Vice General Director of the GDC Vu Ngoc Anh, Michalak began by stating the importance of balance between trade security and trade facilitation. Supply chain security is a key part of strong trade relations, he added, and export controls a key part of trade security. Michalak said he welcomed Customs' presentation at the November export control conference and asked whether Vietnam had selected its participants for the conference. Anh did not answer the question on participants, but said that the Vietnamese were very pleased to cosponsor the conference. Vietnam shares the U.S. goal of balance in security and facilitation. He noted that the recently amended customs laws they have put in place allow them to better coordinate customs information with APEC economies and customs agencies in the region. Vietnam is also actively preparing to participate in supply chain security. Anh said he regularly meets with the APEC Southeast Asia coordinator to ensure cooperation on customs projects and documentation.

CUSTOMS: COOPERATION WITH FEDERAL EXPRESS

18. (SBU) At Anh's prompting, Michalak detailed his own experiences with the Shanghai customs project that had so dramatically improved that city's customs operations in 2000. As Michalak described the partnerships with private companies that Shanghai established, Anh interjected that Vietnam has also set up similar cooperative relationships, especially with Federal Express (FedEx). FedEx has a customs office in its distribution center already and that both sides "are pleased with the results." In fact, it is now the model that GDC, who ultimately reports to the Ministry of Foreign Affairs and the Ministry of Trade, will use in the future.

19. (U) Mr. Michalak has cleared this cable.

MARINE